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## ECONOMIC ALLIANCES, COMMERCIAL TREATIES, AND TARIFF ADJUSTMENTS

BY EDWARD P. COSTIGAN  
*United States Tariff Commission*

In the field of foreign commerce, at the end of the war, the important changes on which the world may count are more likely to be represented by spirit than form. We are, happily, sure of newly expressed, zealously affirmed principles of international fellowship, equality of opportunity, and just relations. Less probable is an original attitude toward the familiar use of tariffs and commercial treaties with the intention of determining world trade. Presumably, even from the unprecedented catastrophe and convulsion of our time, notwithstanding the growing promise of an effective league of peace, national sovereignties and age-old markets will emerge; and, in the period of reconstruction, nations or groups of nations will promptly seek, by practiced methods, both self-sustaining industrialism and the reciprocal benefits of commercial intercourse. Confirming the hopes of thinking men, in the interest of durable peace, there may perhaps result from a victory of the allied democrats, a desirable fundamental movement toward the unity of English-speaking, and, indeed, other civilized peoples; a far more general and profound conception of the benefits of commerce, when conducted with a minimum of restrictions; certain broad, novel, and hopeful experiments in international control; some common understanding, whereby essential raw materials may become accessible, on fair terms of apportionment, to the people of all countries; and, perhaps, a coördinated policy of conservation and use of natural resources throughout the world, to the end that the war-debt burdens, already oppressing mankind, may be lightened, and, within a reasonable future, removed. None the less, barter will abide. Despite artificial barriers, the tides of trade and competition will ebb and flow, and nations, running measurably true to form and precedent, will, doubtless, again and again essay to control the course, and even challenge the soundness, of orthodox "economic laws."

### *Proposed Economic Alliances*

Illustrations of these tendencies are both recent and numerous. No one here is without knowledge of the literature, conferences, and thought, devoted in the Central Empires, since August, 1914,

to the creation of a permanent and self-sufficient economic unit, generally spoken of as Middle Europe. In sharp distinction, and with like disregard of the internationalism of the modern world, the celebrated Paris Economic Conference of June, 1916, vainly proposed to erect the temple of permanent peace on the shifting sands of economic war. It outlined an elaborate scheme of common measures for the Allies, extending not only through the period of actual conflict, and the later stage of transition to peace, but permanently thereafter. One prevailing idea has been the same: economic independence through the control of resources deemed indispensable.

#### *The Paris Economic Agreement*

Fortunately, the futility and danger of the peace features of those programs are already widely recognized. Nothing during these trying times said or done by President Wilson has more strikingly or serviceably evidenced his leadership than his rejection of "selfish and exclusive economic leagues." His criticism brought home to a large portion of the public, both here and abroad, what historians and economists instantly perceived when the Paris resolutions were announced, that the division of the world into two permanently hostile economic groups would give international sanction to the vast and inhuman ruthlessness which has irredeemably discredited German autocracy. In seeking to escape that yoke, it is worse than folly to employ the same principles of war and servitude. As far-sighted economists have unanswerably made clear, the enforcement of the future terms of the Paris agreement would involve the continued walling round of Central Europe; prolonged harmony of action on the part of the Allies, whose economic interests are not always identical; the extinguishment of a large market and the indefinite postponement of the financial compensation reconstruction may seek. An even more essential consideration is, however, the unescapable conclusion that, soon or late, the plan must yield to the settled rules of profitable exchange, although under the Paris agreement that would not come to pass until the proposed discrimination against the peoples of Central Europe had, in their eyes, justified and made seemingly necessary the present war, and until the foundation had been laid for other more extravagant and terrible conflicts, prosecuted with even more appalling disregard of civilized standards. In a word, the "war after the war" feature of the Paris Economic Conference was an

ill-considered judgment, pronounced, under stress of great provocation, in the heat of resentment and suffering.

#### *Scandinavian Conference*

Nevertheless, and even though the main future purpose of the Paris Economic agreement is destined to repudiation, modifications of the plan are likely to endure; and there are signs that we shall see numerous economic ventures tending in the direction, if not actually taking the form, of economic alliances. The excitement occasioned by the conferences of the Central and Entente Powers has not wholly abated, and all sorts of movements are under way, looking to further industrial and economic preparedness and independence. Norway, Sweden, and Denmark, caught between the upper and nether millstones of such threatened economic unions, sent representatives, in 1916, to a Scandinavian Conference, the objects of which were the maintenance of neutrality, and the safeguarding of common interests and independence in the economic struggle to follow the war. In Italy, plans are being actively formulated in some quarters in support of national industrialism for a high range of tariff duties, concessions from which are contemplated in return for like concessions from other nations, to be secured through duly negotiated commercial treaties.

#### *British Imperial Preferences*

Even in Great Britain, the swing of the pendulum is discernible in the increasing emphasis on the policy of imperial preferences, embracing India and the self-governing dominions. Partly as an indication of this attitude, resulting from the war, and partly as an outgrowth of the prior agitation for imperial preferences, the Council of the London Chamber of Commerce, some two weeks prior to the Paris Conference, tentatively recommended a graded system of preferential tariff rates, for Great Britain, on wholly manufactured and semi-manufactured goods, and on manufactured foodstuffs, among other materials, to be taxed, highest for enemy countries, less for neutrals, still less for the Allies, and, by virtue of provisions looking to imperial preferences, least of all for the British Empire countries. In February 1917, a committee of the House of Commons approved a resolution calling for preferences in the markets of Great Britain for imperial products. Resolutions of like purport were thereafter adopted by the Imperial Conference meeting at London. Of similar significance,

though with a different approach—due in no inconsiderable degree to prior and continuing demands for British imperial preferences—the Royal Commission on Natural Resources, Trades, and Legislation, appointed in the pre-war days of 1912, presented to the British Parliament in March, 1917, a comprehensive report powerfully emphasizing pertinent conclusions.

*Report of British Royal Commission on World Supplies*

Surveying particularly the material resources of the British Empire from military and economic standpoints, that report divides important supplies into those mainly or wholly produced within the Empire, those as to which the Empire's production and consumption approximately correspond, and those as to which the Empire is dependent on external sources. To be concrete, the report claims for various designated parts of the British Empire the world's chief supplies of nickel, cobalt, asbestos, mica, kauri gum, phorium fibre, diamonds, ostrich feathers, jute, palm nuts and palm kernels, something less than one-half the wool, a larger per cent of merino wool, and more than half the gold output. Attention is given both to the military and economic importance of some of the articles. Doubt is expressed, and inquiry prompted, as to whether, at present, minerals, obtained from foreign sources, such as potash, borax, platinum, and quicksilver, are to be found within the boundaries of the Empire. The relative disadvantage of the Empire in the production of petroleum, and the value of that product for navy use, lead to the recommendation of a policy of governmental reservation of a part of the public domain, similar to that adopted in the United States. The dependence of the people of the British Empire is recognized,—on Germany for potash, on Chile for deposits of nitrate of soda, on Argentina for maize—from which starch and industrial alcohol are procured—and on the United States for the bulk of the cotton supply. The Report of the Royal Commission, however, goes far beyond mere enumeration. The materials embraced in the group, and admitted to be under alien control, are treated as constituting a field for scientific research and the discovery of possible substitutes, while the division, in which are classified the materials for which the world must largely or wholly look to the British Empire, is frankly stamped with signal importance (to use the language of the Commission) "as a powerful means of economic defense."

*Modern Commercial Bargaining Tendencies*

In a word, in the era when tariff systems have been vitally disarranged, and commercial treaties have well-nigh disappeared, in the wreck of international relations, projects are rapidly maturing in the various involved nations looking far less toward liberated after-the-war commerce than to the primary economic self-reliance of individual nations, largely to be achieved through the importance of certain "key" resources and materials, and their use both defensively and offensively. For, of course, no one will any longer consider economic defense as differing from military defense in possibilities of aggressive development. It is a satisfaction to know that some moderating factors present themselves. One is the common group of problems and the underlying interdependence of those who find themselves allied in tragic destiny. Another is the foreseen certainty that war-incurred obligations must be chiefly met and canceled in the peace period through commodity rather than specific payments. Perhaps most influential of all is the deepening conviction of mankind that commerce built upon force is a standing invitation to recurring war. None the less, it appears quite improbable that anything approaching trial of the commercial Utopia of the classic economists may be expected in the near after-the-war period. On the contrary, present signs indicate that the necessary task, of building, in a measure anew, the world structure of commercial treaties and tariff arrangements, will be approached by the great industrial nations, notwithstanding international friendliness, primarily in the light of bargaining advantages to the separate states. The best present promise of escape is by the avenue of such international control of essential supplies as joint wisdom may undertake to create. In any event, under the violent impulse of war, attention is being focused on the paramount importance of specific economic prizes—varied by the discoveries of science and the changing needs of civilization—for the retention or procurement of which future commercial treaties will be largely shaped, and future tariffs somewhat adjusted.

*Movements Toward Tariff Revision in France, Italy, and Japan*

The era beginning with the return of peace will therefore demand something akin to professional skill in the consideration of the elements at stake, the forceful presentation of those factors in official conferences, and the drafting, with discrimination and par-

ticularity, of the actual agreements. The period will see the consummation of many specially negotiated arrangements. France has legislative committees, practically in the form of a tariff commission, investigating tariff duties and the international phases of commercial treaty relations; and there is general expectation that the French pre-war tariff system is about to undergo substantial changes. In Italy, where all outstanding commercial arrangements are being formally terminated, elaborate plans are on foot for the establishment of a tariff system to be based on agreements with other nations. The employment of concessional and retaliatory tariffs is being counted on to assure mutually beneficial arrangements, and the program is being fortified by governmental studies of separate Italian industries, now in progress under the direction of a Royal Commission, concerned with the reform of Italy's tariff system and commercial treaties. Similarly, Japan, in April of this year, created an Extraordinary Investigation Department, one branch of which is concerned with tariff, commercial, and industrial studies. Representatives of the various countries mentioned are not confining their tariff investigations within the borders of their respective countries, but are, even now, visiting other parts of the world, when possible, and conferring with representatives of the various governments, in the different national capitals, with the object, among others, of making a complete survey of the opinions of world leaders on the significant features of economic and industrial preparedness. These are but a few of the signs pointing to a world equipped to grapple hereafter, with keener perception, and from a fresh viewpoint, with tariff and commercial problems. It thus appears that in different directions there is an assembling of all available tariff and commercial data. Exhaustive inquiry is being prosecuted into the best means of advancing national well-being and commercial expansion. There is, too, as a necessary part of wisdom, searching examination of historical backgrounds, and of the respective outlooks of leading nations on commercial, financial, and general economic problems. To sketch the outlines of the situation in its tariff aspects, and, incidentally inquire into the existing equipment of the United States for adequately meeting the tariff and commercial plans of other countries, in their new economic adventures, may, therefore, be regarded as of immediate interest.

It is unnecessary, in this presence, to review, in detail, the diverse tariff systems and commercial treaties in use in August,

1914, by the leading countries of Europe and this continent. At prior meetings of the American Economic Association, there have been occasional excursions into that field, and distinguished and able members of this body have played no inconsiderable part in the analysis and criticism of deficiencies in private and governmental machinery, and the lack of commercial and legal equipment for meeting the world's imperative summoning to the related tasks of statesmanship. Passing reference to prior and existing conditions may, however, even here, be not wholly unprofitable.

*Tariff Systems of the United States, Canada, Great Britain, France, and Germany*

Historically, the search for revenue and protection to young industries marked the beginning of this country's autonomous tariff experience. The single tariff set of rates, applicable alike to all imported commodities of whatever origin, fixed by congressional action and subject only to congressional change, long continued as the prevailing system of the United States. From time to time there developed, however, certain modifications through commercial agreements and authorized presidential action. A striking instance of the former was our reciprocity agreement with Canada of 1854. To the use of presidential authority I shall make brief reference later. Generally speaking, it may however be said that we have had and have but one set of customs duties. Our northern neighbor, Canada, in contradistinction, for a considerable period has used a so-called "multiple" system, with three outstanding sets of rates, in addition to surtaxes used for penalizing purposes—the lowest a varying scale of specified duties amounting to preferences for the encouragement of British imperial trade; another intermediate group of rates, the benefits of which were, in 1910, extended to France, and through the operation of the most-favored-nation clause in Great Britain's commercial treaties, to numerous other countries; and a third, higher and general set of rates, applying to the rest of the world's commodities, largely including those of the United States, seeking entry to Canadian markets. In Europe, on the other hand, within recent times, several tariff systems have been notable. One is most naturally identified with Great Britain, where, through adherence to the results of Cobden's corn-law agitation, the outbreak of the war found a single and very limited set of customs duties applied, regardless of the country of origin, representing, unlike the United

States, a policy substantially of free trade. The few duties so levied were frankly imposed without other significance than revenue purposes. A second typical European tariff system is that most prominently identified with France. It is commonly spoken of under the designation "maximum and minimum." It has two sets of rates, the so-called "maximum" being generally applicable to imports, the lower or "minimum" set being reserved for extension, through commercial treaties, to nations offering reciprocal advantages. Finally must be mentioned the tariff system long and typically associated with Germany, and frequently referred to as "general and conventional." The higher or general rates date back to tariff legislation in the decade following the Franco-German War. Those rates represented the standard by and from which concessions were computed. The conventional rates, in instances, took the form of a pledge not to advance the general rates within a given time, but more usually and in the sense commonly understood have represented a lower scale of duties built on and resulting from commercial agreements with such countries as Austria-Hungary, Belgium, Greece, Italy, Portugal, Roumania, Russia, Servia, and Sweden.

#### *Effect of European and American Interpretation of the Most-Favored-Nation Clause*

As these references will remind you, during the last half century there has been a special moulding of their respective tariff systems by leading nations, with the object of trading commercial benefits, though, of course, tariff bargains have a much longer history. Through this more recent period it should also be recalled that a potent element, in extending the influence of bargaining treaties, has been the most-favored-nation clause in such treaties. The unconditional European interpretation of that clause has resulted automatically in the extension to other countries, sharing such treaty privilege, of whatever advantages have been conceded by any one of the treaty group to the products of any third country. It will be remembered that this extension of treaty benefits has not always occurred without serious complaint in France, and, under different circumstances, in Germany against the manner of its operation. In France, for instance, there were at times protests because Germany, after the Treaty of Frankfort, through the most-favored-nation clause, had access to French markets on the same terms allowed other countries, even while

Germany's growing protectionist policy was excluding France, in common with other countries, from Germany's markets. In the United States, from the beginning, a different interpretation was placed on the most-favored-nation clause, and thereby a different policy was adopted. As is well known, we have preserved the use of such forms of that clause as have enabled our government to maintain, and the Supreme Court of the United States to sanction, the view that the benefits of our most-favored-nation treatment pass only to those countries making concessions to us which we regard as equivalent to the concessions of the particular country entering into the treaty. We have in addition extended without price any concessions gratuitously granted by us elsewhere. Generally speaking, however, with us mutual disposition to exchange benefits does not suffice. The widening of the American promise becomes effective only on the receipt of like consideration. This construction favors specialized agreements. It enables a country with extensive economic resources to practice careful, perhaps too careful, bargaining, the more so if such country has efficient and mobile bargaining powers. On the other hand, the European interpretation of the clause has in the main aided the development of the different tariff systems abroad—more especially the general and conventional system—during the last half century. It has simplified a complex situation, by reason of its direct tendency to prevent the substantial nullification of commercial agreements through more important subsequent concessions to some third country or countries. Though Great Britain has generally secured most-favored treatment, from a bargaining standpoint, by virtue of her policy of opening her ports equally to the products of all countries, she has been least advantageously placed to gain concessions. Moreover, the self-governing dominions of Great Britain, in recent years, in the development of their own fiscal and tariff policies, have been more and more insistent—under conditions, within the Empire, of proven loyalty, which Great Britain might not easily ignore—on their emancipation from the most-favored-nation obligations in the commercial agreements of Great Britain. As between the double tariff systems of France and Germany, that of France, for obvious reasons, has served less efficiently as a bargaining medium. It has been less elastic. Both its maximum and minimum rates have been fixed by the legislative branch of the government, whereas the German conventional rates have not required legislative sanction. Because

of this difference, the maximum and minimum rates of France have been less subject to flexible change, and, the fact that, in certain instances, the concession of minimum rates with most-favored-nation benefits, could not be claimed by certain other countries coincided with a series of disastrous "tariff wars,"—notably those in which France became involved with Spain, Switzerland, and Italy. From these controversies France emerged, with her trade seriously impaired, and under the necessity in some cases of making concessions even below the minimum scale. Germany, while not free from tariff quarrels, and, while occasionally compelled to yield ground, succeeded, on the whole, in maintaining her own economic program and in negotiating important commercial agreements, so satisfactory from the German standpoint, that, after long trial, their renewal was sought and obtained. Moreover, the specialization in tariff classifications resorted to by Germany, though often criticised as evasive of commercial agreements, represents a striking example of the possibility of using technical skill and accuracy to promote commercial profit. It is patent, therefore, that the elasticity and effectiveness of the German practice should be expertly examined, if future free-flowing commerce is to continue subject to modification by bargaining methods and conditions.

#### *The United States Has No Effective Methods for Guarding Against Discrimination*

In the face of these European conditions, the United States, at the end of varied and unsatisfactory experiments, finds itself without either a definite bargaining policy or effective weapons for tariff negotiations. Our isolation from Europe, our form of government, and our internal development long subordinated the consideration of this phase of our tariff question, though certain American public men, among them Jefferson, while Secretary of State under Washington, early urged the propriety of such a commercial program. This advocacy has found support, in our generation, among such representatives of a different general policy as Secretary of State Blaine and President McKinley. It may, indeed, be doubted whether there is anything fundamentally controversial in the proposal to establish in the United States, in conjunction with our tariff, regardless of the level on which its general rates may be adjusted, well-considered provisions for tariff and commercial negotiations with foreign countries. Assuming

this to be reasonable, we should frankly face the prospect of future and similar use of their respective tariff systems by leading foreign countries, and should plan, within proper limits, to safeguard our foreign commerce against unfair and artificial exclusion of our products, and arbitrary and avoidable discrimination. To achieve this is to do more than borrow a leaf from the book of European experience. It is a step toward economic preparedness; an illustration of our capacity for meeting and solving, with national equipment and efficiency, after-the-war emergencies.

#### *Reciprocity Experiments of the United States*

Some review of our past shifting experiments along these lines, may, at once, remind us of forgotten but instructive history, and tend to clarify our conclusions. The pertinent provisions of, and our experiences under, the respective tariff acts of 1890, 1894, 1897, and 1913 are susceptible of concise summary. The reciprocity policy inaugurated by the Act of 1890 gave legal authority to the President of the United States to impose enumerated duties on a few specified articles embraced in the free list—chiefly, raw and uncured hides, tea, coffee, sugar, and molasses—whenever the President was satisfied that the customs duties of foreign countries were “reciprocally unjust or unreasonable.” A brief trial of the law resulted in a substantial lowering in certain countries, such as Cuba and Brazil, of import duties in favor of the United States. With the ensuing change of administration, in 1894 this policy was reversed, by repeal. In 1897 Congress renewed the presidential authority of the Act of 1890, omitting sugar and hides from, and adding tonka and vanilla beans to, the specified articles, and further provided for two groups of commercial arrangements: first, agreements, restricted to the offer by the United States of concessions on a very limited set of articles—crude tartar, paintings, statuary, wines and certain other liquors—to be negotiated and proclaimed by the President without the sanction of Congress or the Senate; and second, general commercial treaties which were to provide for reciprocal reductions in duties on any articles, subject to congressional ratification, and senatorial approval. As events developed, only the former of those methods proved of worth in the negotiation of agreements. That way was provided by the third section of the Act of 1897. The authorization of the presidential proclamation of certain reciprocal arrangements, without requirement of subsequent con-

gressional ratification, resulted in a number of tariff agreements with leading European countries. For example, we were allowed in July, 1900, the reduced conventional tariff rates of Germany, provided for in her commercial treaties with Austria-Hungary, Belgium, Italy, Roumania, Russia, Servia, and Switzerland; and, in return for our concession of lower duties on imported crude tartar, statuary, paintings, wines and other specified liquors, we received from France her minimum tariff rates on lumber, fruits, canned meats, lard, and some other commodities. The actual negotiation of these agreements was entrusted, between 1897 and 1901, to a Reciprocity Commissioner, John A. Kasson, appointed by President McKinley, after the passage of the Act of 1897. Mr. Kasson, also, under the other provision—the fourth section—of that act eventually negotiated a series of tentative treaties, chiefly affecting our commerce with parts of the West Indies and South America, and with France. These agreements, however, failed to receive the ratification of the Senate, required by that particular section. In 1909 occurred another sharp veering in our tariff policy toward foreign commerce. Provisions were incorporated in the Tariff Act of that year for the abrogation of the treaties, actually negotiated and proclaimed under the Act of 1897. Our mutual preferential arrangement with Cuba alone survived. In place of our previous reciprocity methods, Congress introduced the novelty, for us, of a substantial recognition of the double tariff system, providing a general or minimum set of rates, convertible into a maximum range of duties, by the addition to the general rates of 25 per cent ad valorem on all articles. The Act of 1909 provided for such maximum duties on condition that, if the President became satisfied that undue discrimination was not being practiced by particular countries against the products of the United States, such countries should be accorded our minimum rates by presidential proclamation. Minimum rates were eventually accorded to all countries, though with some hesitation, where the commodities affected were those of Canada, France, and Germany, from the last two of which countries important trade and tariff concessions were first obtained. Germany, in particular, in February, 1910, yielded us, without reservation, her conventional tariff rates, embraced in her existing commercial treaties.

Such, broadly speaking, were the developments of our tariff negotiation experiments prior to 1913, in which year the substance of our present tariff law was enacted, and, once again, our sys-

tem of custom duties was shifted. The fact is, that the maximum and minimum program, in the form adopted, had proven unwieldy, since the necessity of maintaining duties of 25 per cent ad valorem on the products of any country dealing unfairly with us would, in practice, not only have operated with severity against the commerce of the offending nation, but, incidentally, would have reacted, with two-edged force, against our own interests, by excluding articles of commercial value to us. The conviction that the double tariff form of customs duties, contained in the Act of 1909, was impractical and ill-advised, led to its repeal in 1913. Unfortunately, however, the latter act offered no substitute, except general authorization, subject to submission "to the Congress of the United States for ratification or rejection," given to the President "to negotiate trade agreements with foreign nations, wherein mutual concessions are made looking toward freer relations and further reciprocal expansion of trade and commerce." This authority, of course, already existed. Its declaration was an "about face" return to the very phase of the Act of 1897, which proved abortive in practice. Nothing has so far been accomplished under this broad section, and, in the light both of our own experience as reviewed and of the elaborate plans of commercial penetration maturing abroad, it is fairly predictable that, without independent and far more favorable factors, the improvement of our foreign treaty and commercial situation will not thereby be achieved.

#### *Lack of Stability in Foreign Tariff Policy*

Obvious and striking in this recital are the ineffective inconsistencies, and lack of stability, in foreign policy, which we as a nation have been opposing to the patient and well-nigh age-to-age persistence characterizing the international trade and tariff policies of leading foreign countries. We have recalled that the plan of negotiation, based on threatened higher duties unless reciprocal rates were conceded, adopted in 1890, was repealed in 1894. It was somewhat renewed in 1897, but the emphasis was placed elsewhere, and, in lieu of the original program, results were obtained through the offer of lower rates in return for like concessions. In 1909 the method adopted was both concessionary and retaliatory. In 1913 we returned to the policy of negotiation, subject to subsequent congressional approval, tried and found wanting in the period extending from 1897 to 1901.

*Value of a Permanent Policy*

From this summary of experiences, it is scarcely difficult to deduce certain lessons, both as to procedure worthy of adoption and aims to be held before us. The response of foreign countries to our limited experiments, like the increasing emphasis everywhere on the value of natural resources, reveals the economic usefulness of pliable instrumentalities for future trade negotiation and tariff adjustments. For example—while our endeavors, in some respects, have been too short-lived to sustain many clear inferences—the concessions obtained under the Act of 1890; the agreements entered into under the Act of 1897; the surrender of minimum rates by France, and conventional rates by Germany, induced by the Act of 1909, were important beyond any material gain secured. They tended to demonstrate that an economically powerful country may, under normal conditions, break through the walls of commercial discrimination, into the field where special favor is neither sought nor awarded.

*An Available Policy for the United States*

Considering the course of these events, and the whole problem, nothing has appeared safer, more available, or better adapted to prompt action than power, lodged in the President of the United States, to raise or lower, as conditions and sound discretion may dictate, individual customs duties, within such well-considered limits, and on such carefully selected, important articles as Congress by law shall specify. The constitutionality of the method is not questionable. It has been fully sustained by the Supreme Court of the United States. Advance congressional authority furnishes a continuing check on possible abuse, while subsequent ratification has proved too slow and cumbersome a method for such public emergencies as those with which the world is becoming only too well acquainted. The list of articles embraced in such possible congressional legislation should be comprehensive, rather than closely circumscribed, since the commerce at stake runs through all seas to the four corners of the world. Such exercise of presidential authority can be given a certain scientific character and well-nigh mechanical precision, if we bear in mind those selected resources and materials concerning which the stress of modern conditions has everywhere produced most diligent inquiry. This will compel thoroughgoing analysis, both of the prevailing necessities and the chief commercial contributions of the different coun-

tries of the globe. It will, also, involve consideration of this country's use and control of those materials which determine our economic strength.

The exact scope to be given the exercise of such executive authority naturally permits of divided opinion. In the light of our experience, different questions invite consideration. For instance, is it wise to fix a relatively high range of duties, with the expectation that substantial reductions will be promptly proclaimed by the President in favor of those countries which evidence amicable fairness in their attitude toward our commerce, while we leave the products of other countries subject to the levied duties? Or, should we impose penalties, in the nature of surtaxes, on some or all of the commodities of those foreign countries which subject us to disadvantageous discrimination? The former may be termed the way of concession; the latter of retaliation. The former procedure is, perhaps, subject to criticism in preparing legislation with an eye single to revenue; the latter, for its possible implication of an unfriendly international attitude. While the congressional relation is always, if adequate, to be preferred to the retaliatory, with either method the punitive possibility is openly or latently present. It may, therefore, be advisable to combine both methods, adding a frank legislative declaration that the definite object sought is commercial treatment on a parity with that accorded other countries. However, the two indicated modes involve differences of detail, provided there is substantial agreement on the wisdom of the decision to vest the executive branch of the government with authority quickly to seek the abatement of discrimination. Certainly the defect in the Act of 1909 should not be revived; the President should be permitted to distinguish between those among the offending country's commodities which are advantageous or necessary to us, and those which may be barred, without harm to ourselves and with the most influential resulting economic pressure elsewhere. Here, again, invaluable service may be rendered by trained and unbiased minds, through the judicious accumulation of data, calculated, even-handedly and without exaggeration, to attain the desired ends.

#### *Future Federation*

It is perhaps, inevitable that this discussion of certain phases of our future commercial problems, precipitated by movements, the world over, toward economic alliances, national self-sufficiency,

and effective tariff policies, conclude, as it began, with mention of the unexampled war, now uppermost in the hearts and thoughts of all of us. My purpose has been wholly misinterpreted if any one has construed anything said as in the nature of advocacy of a narrow commercial policy. Such inference would exactly reverse the intent of these remarks. We have been considering the need for meeting the economic, industrial, and commercial plans of other nations as they appear to be evolving. For the rest, this is a time for profound humility. The stricken earth is crying out for a new dispensation. If ever in history, untested principles should, one and all, be cast aside, and a future constructed, divorced from whatever the past has condemned. As already stated, in this category the proposal of "war-after-the-war" clearly falls. Recognizing that, hereafter, commercial treaty policies will tend to revert to the use of familiar methods, we should determine that our efficiency along these lines shall be used to gain equality and exclude favor. The universal demand for peace of durable quality is summoning superficial men to fundamental perceptions, and learned men to deeper insight and revelation. If peace is to prevail, economic discrimination must, more and more, suffer curtailment. Such suggestions as priority in the use of raw materials in the reconstruction after the war of the devastated regions of Europe, and the use of economic weapons by a League of Peace, in an effort to avoid the employment of military force, are of somewhat temporary character, and may have weight provided those policies are impartially confined to their objects. There may, likewise, be necessary, for an indefinite time, certain special exceptions, capable of general classification, in trade policies, based on such well-known circumstances as established political ties, intimate geographical relationship, and common racial history. But through and beyond such conditions and the immediate future, we should seek a rebuilt, permanently peaceful earth, of respected and self-respecting nationalities, close-knit in bonds of international friendliness and eventual federation. Neither the weight of our burdens nor the tumult of our indignation should turn us from our path. Treaty and tariff policies should aim at the extermination, not the promotion, of discrimination. Economic alliances, except in extremity, should be studiously shunned, because of their tendency toward compulsion and hostility. Our object should be liberated, not shackled, commerce; our means, friendly; our spirit, international, inviting the beneficent give and take of coöperative right action, in an orderly, united, and self-governing world.